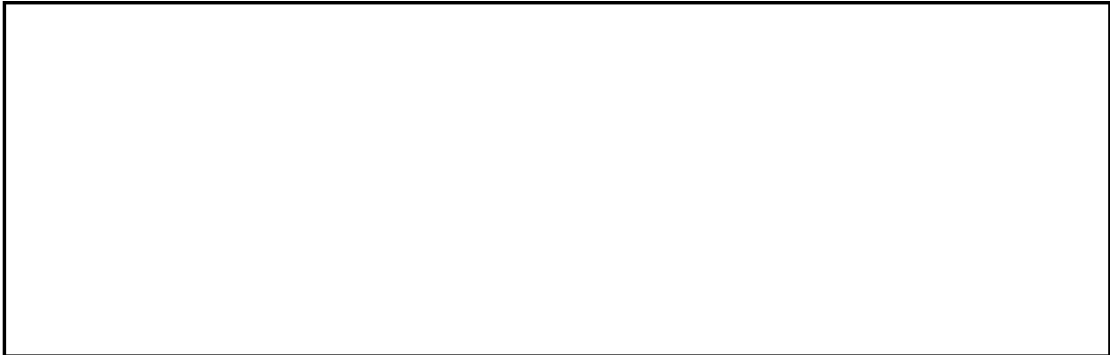


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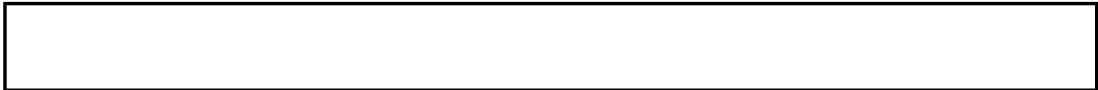
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Renewed Speculation About Prime Minister
Goncalves' Future

Despite emergency sessions over the weekend, Portugal's new three-man executive has failed to form a cabinet, prompting renewed speculation in the Lisbon press that Prime Minister Vasco Goncalves may be forced to step down. The Prime Minister's office, meanwhile, has announced that a reorganization of the executive itself is under active consideration by the triumvirate.

Despite assurances last week by President Costa Gomes that the announcement of a new government was imminent, efforts to select a cabinet over the weekend apparently failed. [redacted] less radical members of the Revolutionary Council are pressing their struggle against the Communist-leaning Goncalves. [redacted]

[redacted] security chief General Otelo de Carvalho, a member of the triumvirate, is unwilling to accept the role of vice prime minister under Goncalves and is insisting on co-equal status with Goncalves in a government headed by Costa Gomes.

It is also possible, however, that General Carvalho has now decided to join forces with anti-Goncalves officers to oust the Prime Minister, and that the reported executive reorganization could exclude Goncalves altogether. Whatever the explanation for the delay, Goncalves' chances of remaining Prime Minister appear to diminish as the consultations drag on.

Hopes by those Portuguese leaders opposing a further drift to the left were undoubtedly buoyed on Saturday by remarks made by Costa Gomes on his return from the CSCE summit in Helsinki. The President, who heard some tough talk concerning Portugal from other European heads of state attending

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the meeting, re-emphasized the readiness of other West European countries to assist Portugal, but only if Lisbon respects political pluralism and democratic freedoms. Costa Gomes again called for unity and suggested that now is the time to end partisan and personal rivalries among the ruling military. He urged the adoption of a "platform of understanding" to lead the country to a pluralistic political system.

At the present juncture it is unclear what effect, if any, the President's remarks will have on Portugal's badly divided leaders.

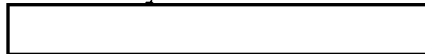


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The dismissal of nine officers and four sergeants from a crack commando regiment of the internal security forces outside Lisbon last Thursday apparently was the result of their efforts to purge pro-Communist elements from the unit. The dismissed regimental commander, Colonel Neves, was so angered that he told a Lisbon newspaper on Saturday that he would consider participating in a coup against the present regime.

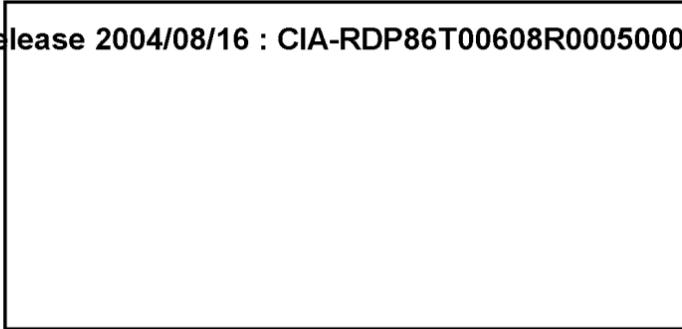
General Carvalho reportedly will attempt to resolve the dispute later today when he meets with the officers involved. The manner in which this dispute is settled could have a significant impact on political factionalism throughout the military, and particularly upon military discipline, which has become an increasing source of anxiety to Portuguese leaders in recent days.



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Inter-German Travel Increases

Despite deep-seated political differences, the tempo of inter-German detente appears to be increasing, at least in terms of the freer movement of people between the two states. Figures released by the Ministry for Inner-German Relations in Bonn indicate that the number of West Germans and West Berliners visiting East Germany during the first half of this year was slightly over 1.5 million, almost double the figure for the same period last year.

Pankow's agreement last December to rescind its earlier decision to double the minimum currency exchange requirement for visits explains most of this increase. Chancellor Schmidt extended the swing-credit arrangement that helps finance a portion of bilateral trade in order to secure this East German concession.

Travel from East to West is more limited but remains steady. For about a decade, Pankow has allowed its pensioners to visit or even resettle in the Federal Republic to relieve the financial burden on its budget. The number of pensioners visiting the Federal Republic during the first half of this year was 602,000--an 11,000 increase over the same period last year.

Travel for East Germans below the age of pensioners is very restricted and only 9,000 have been permitted to resettle in West Germany since the family reunification program began in 1969.

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Nevertheless, nearly a third of this resettlement has occurred this year alone. More than 19,000 East Germans have also made short visits this year to the other Germany on urgent family matters.

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